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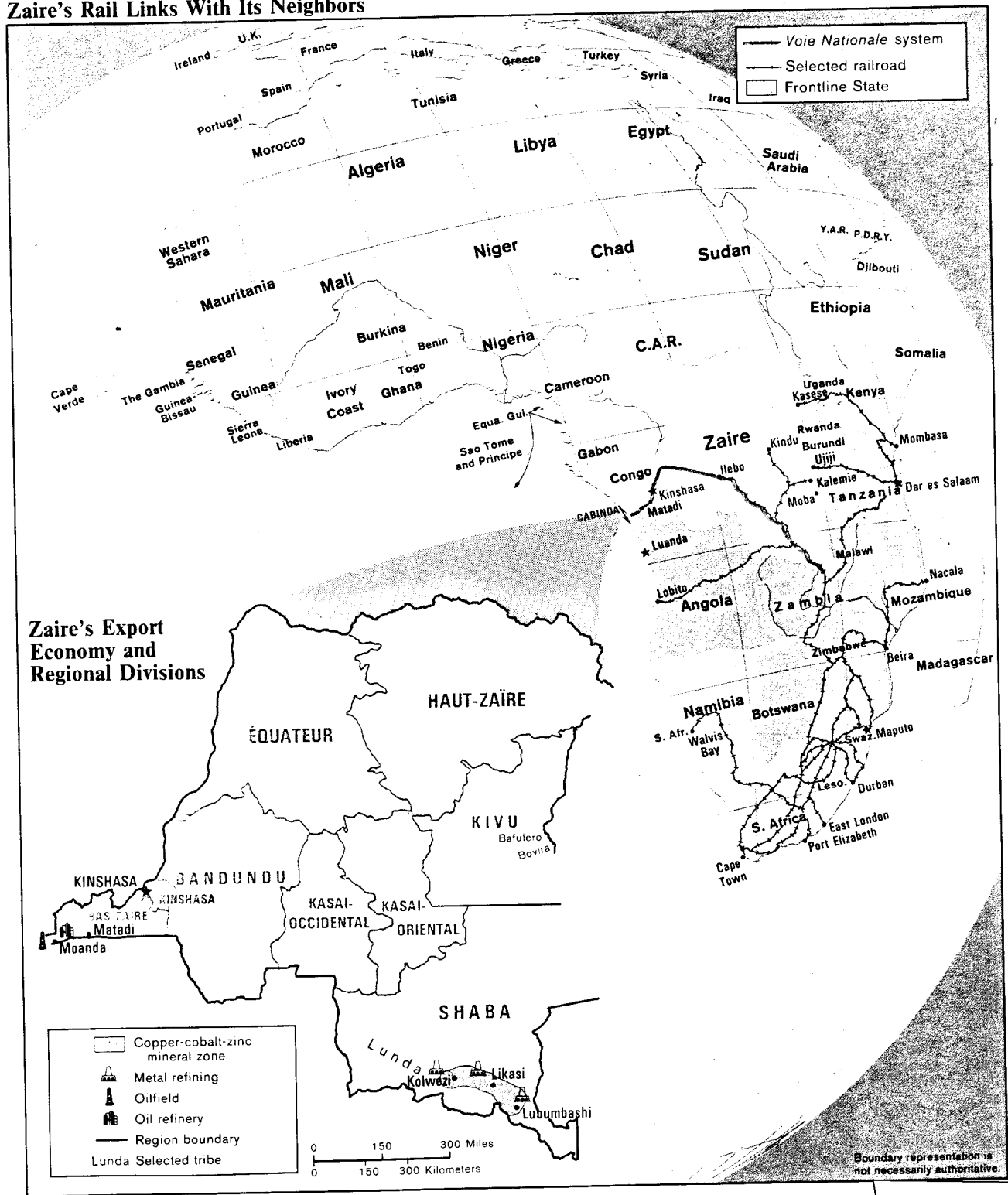
Zaire's National Route: A Northern Option?

Summary

We expect that Zairian President Mobutu's concerns about his country's vulnerability to South African countersanctions may prompt him to request US aid to strengthen the Voie National (VN), Zaire's internal rail/river system, during his visit to Washington on 8 December. Zaire depends on the southern African transportation network to export a significant portion of its mineral resources and to import supplies for its important Shaba region. If South Africa were to disrupt these existing transport patterns the VN would be unable to handle more than a small portion of the traffic that now moves through South Africa. Alternate routes through adjacent states offer little promise. In consequence, current efforts to revive its economy would be badly hurt by the resulting loss of foreign exchange earnings.

Continued donor financing will be necessary just to maintain the existing capacity of the Voie Nationale. The VN is an inefficient system that suffers from outdated and poorly maintained equipment and infrastructure and a shortage of skilled manpower. Zaire has made some progress in improving portions of the system over the past 5 years, but rehabilitation of the rail lines, expansion of river ports, and management improvements are critical to any increase in the capacity of the system. Even with major investments, we doubt that the VN would be able to serve the needs of landlocked Frontline States. Expansion of VN capacity would, however, relieve pressures on the regional transport network and insure the continued transit of the majority of Zaire's mineral exports.

Zaire's Rail Links With Its Neighbors



Zaire's National Route: A Northern Option?The Transportation Challenge

Zaire depends on the railway network of neighboring countries to export a significant portion of its mineral resources and to import much of mineral-rich Shaba province's industrial and consumer needs. Much of this flow moves through South Africa. In the event South African countersanctions or associated developments were to disrupt existing transport patterns, Zairian exports would have to compete with those of other southern African states for use of the region's limited transport facilities or else be channelled entirely onto the Voie Nationale (VN), Zaire's only major transport artery. About 45 percent of the country's mineral exports already move along the VN to Zaire's main seaport at Matadi, an equal amount travels the Shaba portion of the system to link with the "southern route" for export through South Africa,* and the remainder exits through the Tanzanian port of Dar es Salaam (see chart). The VN, currently does not have the capacity to absorb more than a small percentage of the potential additional traffic.

Zaire's recent efforts to join the Frontline States** (FLS) and the Southern African Development Co-ordination Conference*** (SADCC) reflect its concern over the affects of possible South African countersanctions on its ability to export minerals and to import goods necessary to maintain its domestic mineral industry.

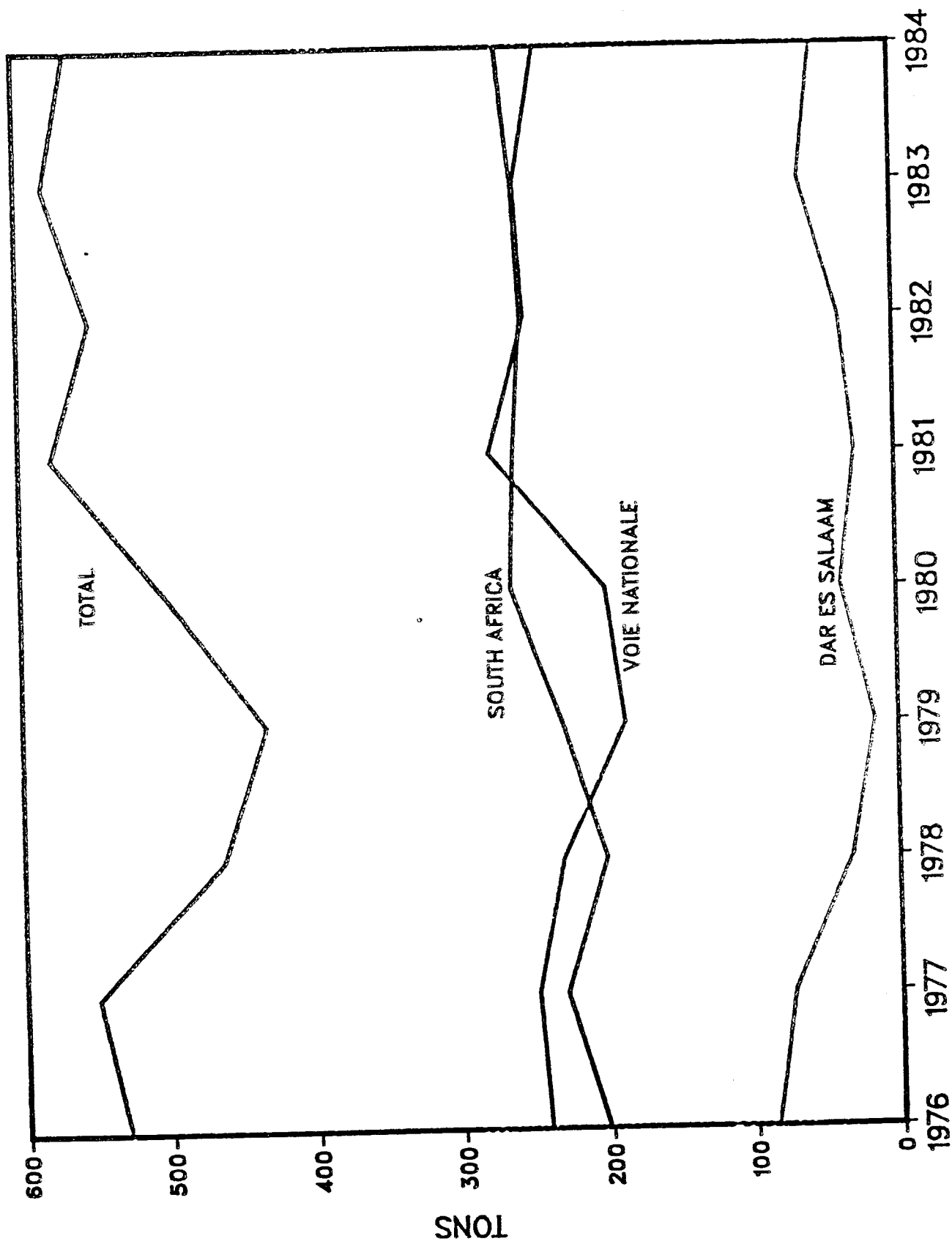
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** The FLS countries are Angola, Botswana, Mozambique, Tanzania, and Zambia.

*** SADCC is an alliance of nine black states established in 1980 to maximize regional cooperation and reduce the countries' dependence on South Africa. These are Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, and Zimbabwe.

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ZAIRE MINERAL EXPORTS BY ROUTE



Minerals now provide an estimated 65 percent of Zaire's foreign exchange earnings. Zaire's current attempts to revive its economy would be badly hurt by the closure of the southern route. While its cobalt could be air freighted, Zaire would be hard put to find alternative routes that could absorb the other mineral exports that now move through South Africa. [REDACTED]

For the foreseeable future, Zaire's prospects for using alternative routes through adjacent states are poor. Large-scale investments and improvements in efficiency would be required to expand the capacity of the regional transport net to absorb the traffic that now exits through South Africa. If this flow of goods could not move through the South African controlled southern route, it would need to be apportioned among several of the six railnets in the region with access to the sea (see map at end of report). Insurgencies have closed two of these routes to regional use--the Benguela railroad to Lobito, Angola, and the Limpopo railroad to Maputo, Mozambique. The Beira corridor through Mozambique--the shortest and potentially cheapest route--is underused because of mismanagement and deterioration; it is also subject to sabotage and insurgent attacks, as is the route to Nacala in the northern portion of Mozambique. The Tanzanian rail system is plagued with operating and equipment problems, and like the road route through Tanzania, is ultimately constrained by the heavily congested port of Dar es Salaam. [REDACTED]

[REDACTED]

Thus, improving the Voie Nationale, despite its current capacity limitations, appears--at least potentially--to be a much more realistic option for Zaire. This extensive system, with its multiple rail and river interchanges, management problems, and maintenance difficulties, can now handle only about 60 to 70 percent of Zaire's import and export traffic. Costs are high, transit times are slow, and delays are frequent. Substantial international assistance has helped Zaire to make some progress in improving portions of the system over the past 5 years, but the government still lacks the funding to significantly increase the route's capacity. Despite the route's shortcomings, Zaire's policy at present is to export its goods through the Voie Nationale on a priority basis, because use of the internal route conserves foreign exchange and is not constrained by political and security conditions in other countries. [REDACTED]

Even with major investments, the Voie Nationale would not have the capacity to handle large flows from landlocked Frontline States. Continued investments however, should insure the uninterrupted export of the majority of Zaire's mineral production (assuming current levels) and relieve the remainder of the system of additional pressures emanating from Zaire. Should services on the Benguela railroad in Angola be restored, investment in Zaire's SNCZ railroad--which links the Benguela

route to Zambia --would be necessary for that route to be used.

Voie Nationale: The System

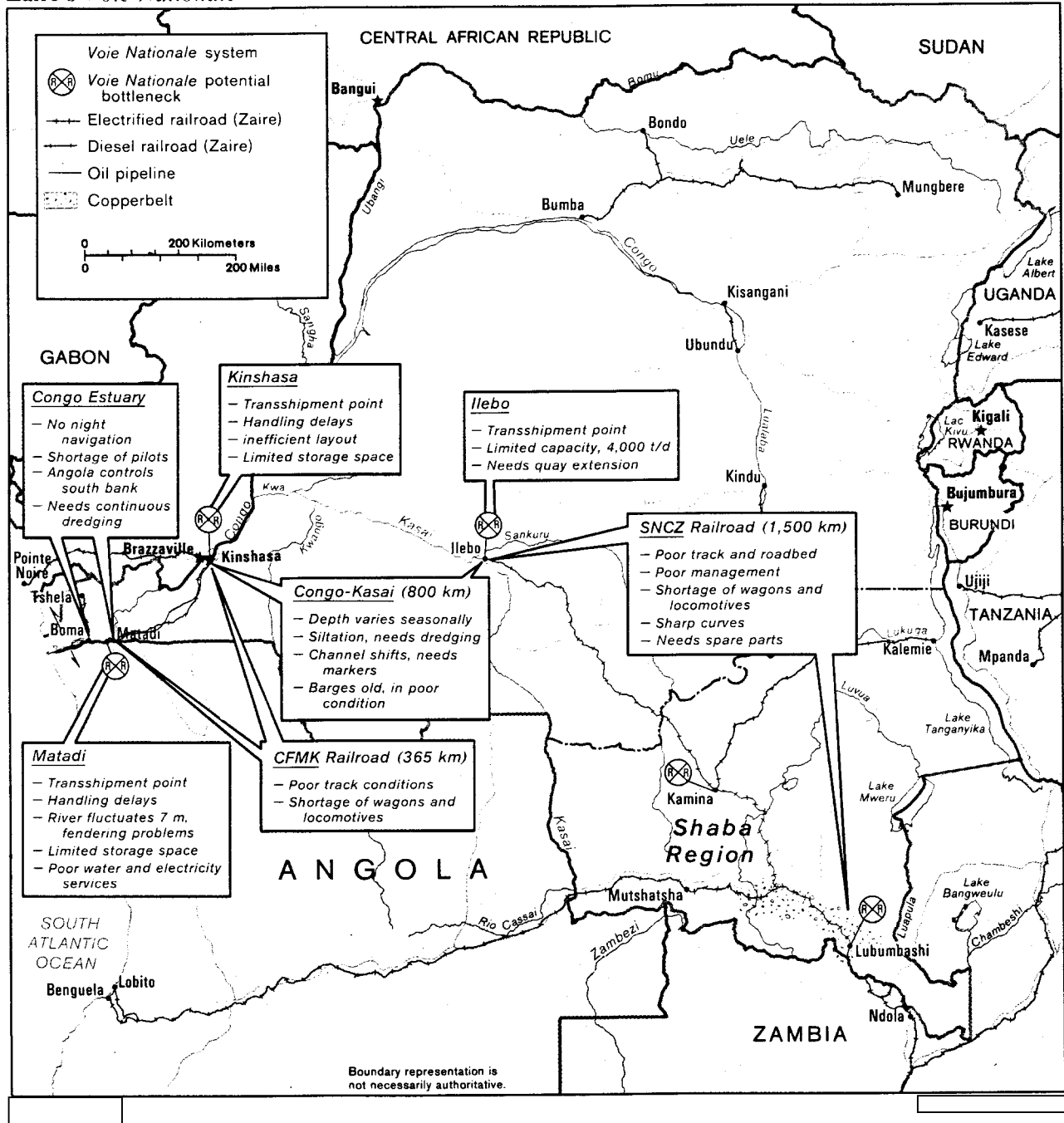
The Voie Nationale (VN) is a 2665 kilometer combined rail and river network that serves as Zaire's main transport corridor linking the country's Shaba region with its main seaport at Matadi (see map). About 240,000 tons of mineral traffic move annually by rail from Shaba to the river port of Ilebo, by barge from Ilebo to Kinshasa, and by rail from Kinshasa to Matadi. In addition, the route handles about 75,000 to 100,000 tons of general cargo and about 120,000 to 140,000 tons of petroleum annually as imports, together with unspecified amounts of raw materials and agricultural products as exports. The VN is also an important artery for internal commerce. Large quantities of maize move from northern Shaba and Kasai provinces to southern Shaba and such goods as oil palm, forestry products, manioc and rice move downstream on the VN system. [REDACTED]

Two major parastatals (state-owned companies) manage and maintain the system: the Office National des Transports (ONATRA) and Societe Nationale des Chemins de Fer Zairois (SNCZ). ONATRA manages transport services on the Zaire River and its tributaries, the railway between Matadi and Kinshasa, and most inland ports. The SNCZ operates the rail services in the southern and eastern portions of the country, and manages several ports including Kalemie and Ilebo. Two agencies that operate navigational aids on the country's waterways, Regie des Voies Fluviales (RVF) and Regie des Voies Maritimes (RVM), also have key roles in the Voie Nationale. Although these parastatal agencies still dominate the transport sector, the number of private operators in road, river, and air transport is increasing. Road transport, which has traditionally been handled by the private sector, is very competitive around Kinshasa and actively vies with rail traffic in the Kinshasa-Matadi corridor. Private involvement in river traffic now accounts for 33 percent of all river freight traffic. [REDACTED]

Shortfalls

The VN's basic transport infrastructure barely meets Zaire's current transport demands. Shortages of spare parts and insufficient investment and maintenance over many years have resulted in an accumulation of worn out, unreliable, and outmoded equipment and the deterioration of maintenance and repair facilities that translate into loss of capacity, poor service, and high transport costs. Inappropriate decisions concerning tariffs and budget allocations have exacerbated these problems, [REDACTED] [REDACTED]

Zaire's Voie Nationale



Current transit times on the VN are unsatisfactorily high. [REDACTED] the surface travel time from Shaba to Matadi is now approximately 65 days, a 14 day increase over 1983 transit times (see chart). Surface transport on the route is slowed by handling delays at the ports of Kinshasa and Ilebo and poor operating speeds on the SNCZ railroad. Transit times for containerized imports have been better, but are also unusually high. Although ongoing improvements at Kinshasa should increase traffic flows, [REDACTED] little progress has been made in the past few years to improve facilities at Ilebo. [REDACTED]

Lengthy transit times combine with long distances, low traffic densities, high fuel costs, old equipment, poor security, and poor productivity to make unit costs as well as total costs high. World Bank comparisons of transport costs for Gecamines copper on several export routes in 1984 shows VN costs are about 8 percent and 9 percent higher per ton, respectively, than costs on the eastern and southern routes through Tanzania and South Africa. The VN remains the preferred route, however, because its use conserves foreign exchange. [REDACTED]

[REDACTED] the VN can now handle up to 2.9 million tons annually on all portions of the system except the railway from Tenke to Ilebo-- [REDACTED]

[REDACTED] According to a US Army study, port capacity at Matadi is estimated at 3.2 million tons annually, but port capacities at Ilebo and Kinshasa remain below this figure, and we judge they could be potential future bottlenecks. [REDACTED]

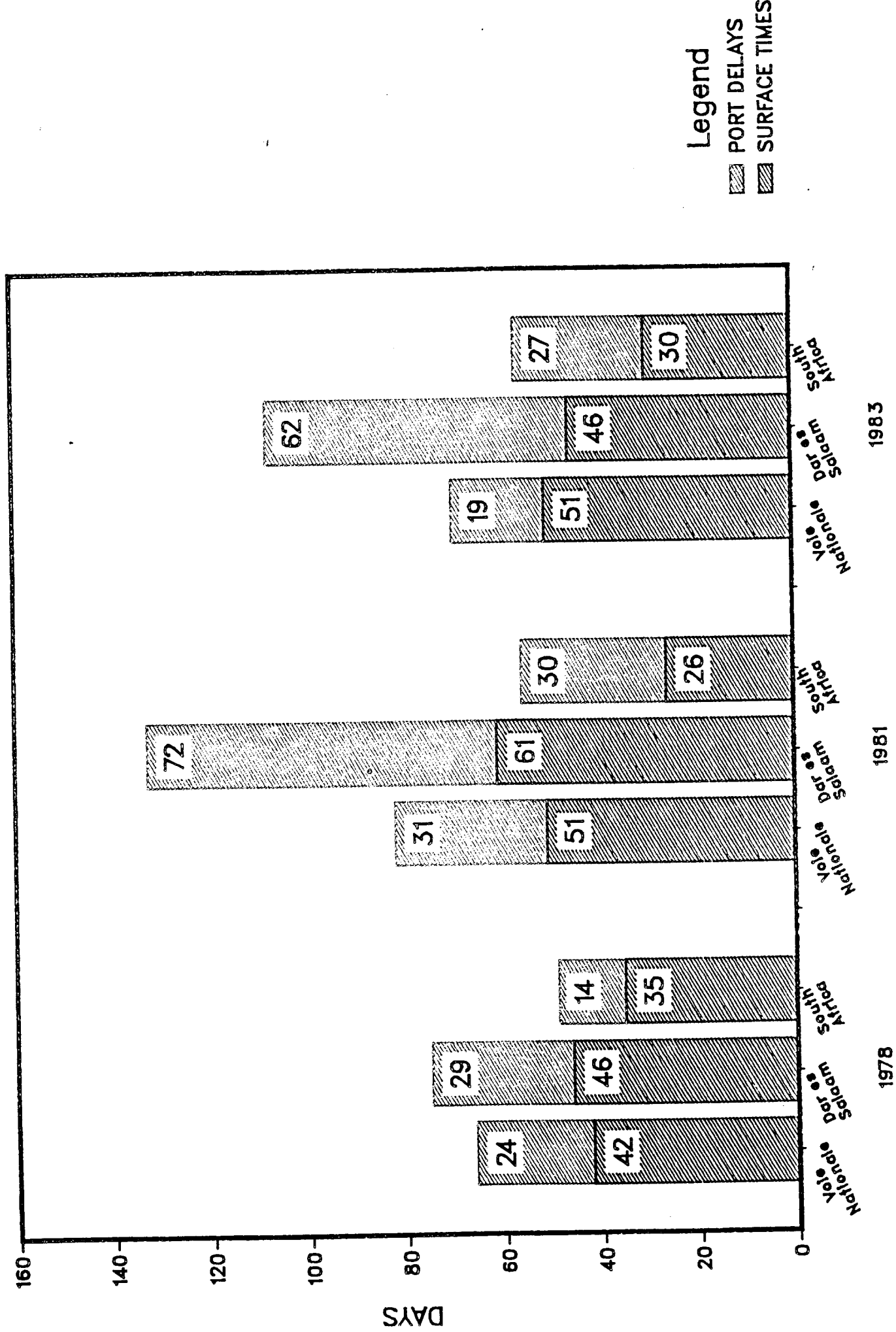
Current Development Projects

Zaire has lacked adequate funding to improve the system. [REDACTED]

[REDACTED] The situation has been especially dismal at the SNCZ, mainly because of poor management and the loss of a \$US 42 million Arab financing package for the SNCZ, which was withdrawn when Zaire recognized Israel in 1982. [REDACTED]

Both the government of Zaire and outside donors [REDACTED] however, recognize the importance of the VN to zaire's economic development and are now making its maintenance and development a policy priority. The current Zairian public investment program allocates a real share of about 30 percent to [REDACTED]

ZAIRE'S MINERAL EXPORTS: TRANSIT TIMES

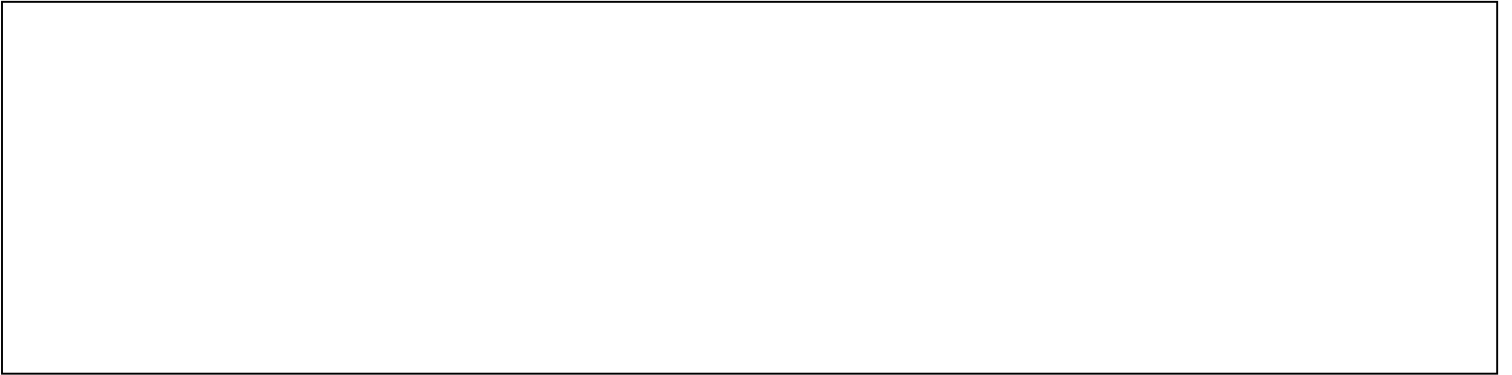
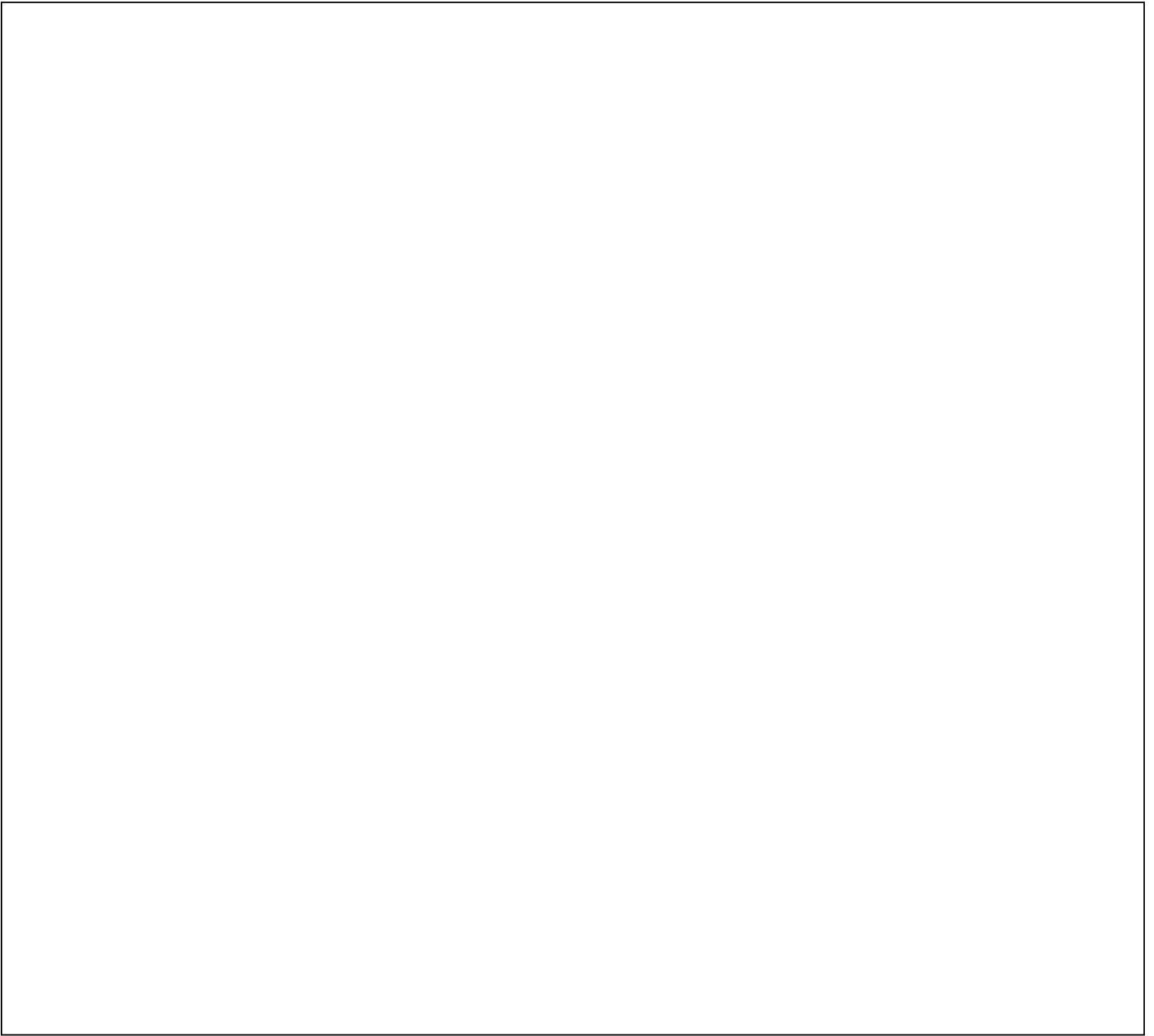


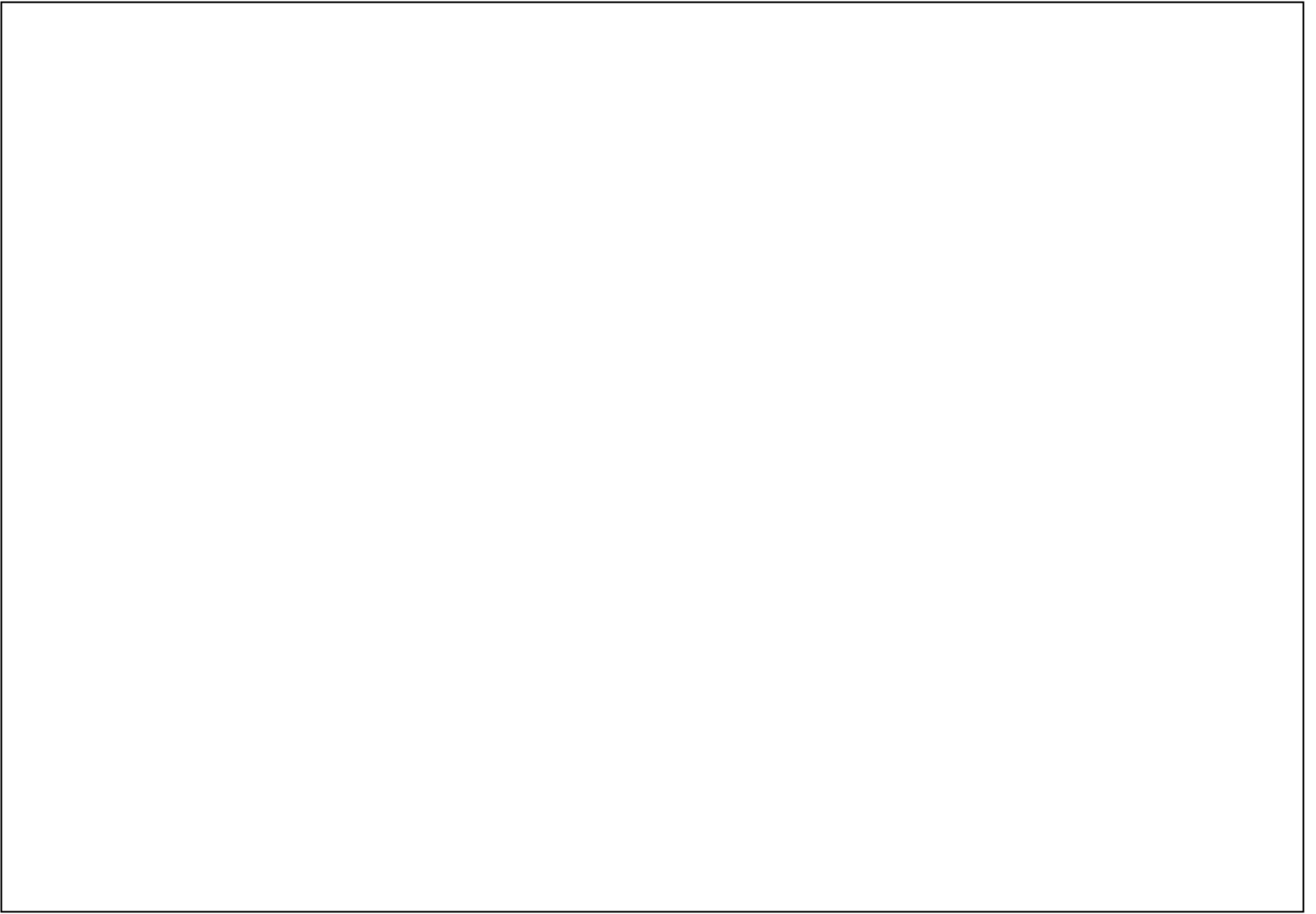
the transport sector--in which the VN plays the central role. Recent major rehabilitation projects should improve VN performance somewhat. [REDACTED]

The [REDACTED] projects are focused in part on improving organization and management and providing technical assistance because improvements in maintenance, rehabilitation, and modernization will result in increased capacity only if they are accompanied by management reforms. To date the most substantial improvements have taken place at ONATRA, where a planning unit has been created, a modern management information system established, and the financial department strengthened. Management development and reorganization have also taken place at Regie des Voies Fluviales and Regie des Voies Maritimes. The SNCZ, Zaire's largest transport organization with 23,000 employees, seems to have the worst management problems. Although Zaire has taken steps to restructure the organization, enhance the quality and morale of its personnel, and improve its management control and auditing, progress to date has been unsatisfactory. Consequently, [REDACTED] that strategy for the future focuses heavily on strengthening institutions and developing human resources in order to remove constraints in these areas. [REDACTED]

Zaire has also recently made considerable investments to improve ports and river transport and to facilitate freight transfers between transport modes. Container terminals and improved cargo handling facilities have been built in Matadi, Kinshasa, and Ilebo, and SNCZ and ONATRA have purchased some flat wagons adapted to container traffic, but more barges and wagons are needed. The result has been improved throughput capacity and reduced delay times at these ports. [REDACTED]

[REDACTED]





Continuing Needs

[REDACTED] much remains to be done to improve the Voie Nationale. The SNCZ and the CFMK railways--which together handled 53 percent of the country's total freight traffic in 1984--are operating well below their potential capacities. They continue to suffer from poor track and roadbed conditions, locomotive and wagon shortages, lack of spare parts, deteriorating repair facilities, and a shortage of adequately trained personnel. Faulty communications impede coordination of traffic along heavily travelled portions of the SNCZ. The two railway systems will remain major bottlenecks to improved capacity for the near future, [REDACTED]. Improvements in transshipment facilities at Ilebo are necessary to expand its limited capacity and improve its freight handling capabilities. Further expansion of the container handling capacity at Ilebo would require completion of a quay, an extension of the rail lines, and additional cranes and storage areas for containerized cargo. In addition, an inland container terminal should be built at Lubumbashi, and Terminale a Coneneurs de Kinshasa (TCK) should be improved to remove inefficiencies in movement of container vessels (see photos at end of report). [REDACTED]

In our judgment, Zaire will remain dependent upon outside support to maintain and improve the Voie Nationale. The country's need for outside assistance will increase even further if the southern route were to be closed and the VN had to carry the additional 250,000 tons of mineral exports and the manufactured goods and food imports that now transit the South African route. [REDACTED]

[REDACTED] Planned [REDACTED] investments (see table), however, fall short of what is needed to completely rehabilitate the system. [REDACTED]

Up to now, decisions regarding benefits and costs of further investments in the VN have not taken into account the possible denial to Zaire of access to southern routes, but have assumed continued access to the cost-efficient South African transport system. Thus, [REDACTED] heavy investments for the expansion of the existing system are not cost effective, but that funding to maintain and moderately improve existing services is justifiable. [REDACTED]

Based on past project funding levels and assessments of system needs, we judge that:

- o Investments on the order of \$US 100 million over the next five years will probably be necessary to maintain

the system's capacity at current levels. Some portions of the system might even realize modest capacity increases. Such an investment level would provide for continued technical assistance and training, and for the maintenance, replacement and rehabilitation of existing river, rail and port equipment.

o Investment levels in the range of \$US 150 to 400 million would be required to expand system capacity enough so that it could carry all of Zaire's mineral exports and much of the imports that now arrive via the southern route. Such a major expansion of capacity would require heavy investments in railway and port infrastructure and equipment as well as funding for the maintenance and replacement of river transport equipment and continued technical assistance and training.

o Investments in excess of roughly \$US400 million would be needed to remove entirely the existing transshipment bottlenecks and allow the VN to handle goods from neighboring countries. Construction of a rail link between Ilebo and Kinshasa--an enormously expensive project--would eliminate the need to transship goods at these two river ports. Electrification of the lines from Kamina to Ilebo and Kinshasa and Matadi, and double-tracking key segments of the SNCZ are other projects that would be considered under such a large funding program. [REDACTED]

In contrast, any failure by Zaire to secure continued support for maintaining and developing the VN would result in a deterioration of the system and increase Zaire's dependence on outside transport nets. Such a dependence would be fraught with problems for Zaire's economic security. [REDACTED]

Regional Options

Investments in the major alternative southern African transport routes could produce benefits to Zaire, but only if threats to the security of these lines could be controlled, Zairian relations with its neighbors were to remain stable, and inefficiencies on the other systems could be reduced. [REDACTED]
[REDACTED] [REDACTED]

Zaire's only regional alternatives to South African transport routes are those through Mozambique and Tanzania. In the event that South Africa should cut off or even slow access to its ports, we believe these alternate routes would quickly become overloaded. Even if excess capacity were developed, Zairian access to the routes would not be assured. Zaire has a history

of strained relations with its neighbors that has not been eliminated by its recent efforts to join the FLS and SADCC; its pro-Western stance and its support for the National Union for the Total Independence of Angola (UNITA) remain major points of contention. At the minimum, if countersanctions were imposed by South Africa, we judge that Tanzania and Zambia would assure that their national needs and those of historic FLS allies were met before those of Zaire were considered. [REDACTED]

Current efforts by the SADCC countries to upgrade their transport routes are not likely to affect significantly Pretoria's stranglehold in the near term. The southern African countries are now focusing their development efforts on the 314 kilometer Beira corridor through Mozambique--which is currently underused because of insurgent attacks, mismanagement, and deterioration. The rail portion of the route currently handles less than 200,000 tons of non-Mozambican trade annually.

[REDACTED]

Tanzanian routes are the only major functioning alternatives to the Beira corridor, but, [REDACTED] would offer a very limited solution to the shutdown of South African transport routes. The Tazara pipeline and railroad, the Tanzam highway, and the Tanzania Railway Corporation line all connect to the main port at Dar es Salaam, which remains a principal bottleneck to system expansion. Current capacity of the two rail lines is estimated at 3.5 millions tons annually; the port is operating close to its estimated capacity of 2.1 million tons [REDACTED]. Aside from a major rehabilitation project at the port, Tanzania has attracted little donor support for the improvement of its transport sector because of the country's history of poor management of assistance funding and of its transport systems. [REDACTED]

[REDACTED] an increased interest [REDACTED]

[REDACTED] in reopening the major westward route, the Benguela railroad through Angola. The Benguela has been closed to regional traffic for most of the past decade because of the ongoing insurgency by UNITA against the government of Luanda. [REDACTED]

[REDACTED]

BOX:

Benguela Railway

[redacted] at the 19 October 1986 quadripartite meeting among the leaders of Zambia, Zaire, Angola, and Mozambique, much of the discussion regarding alternate transportation networks focused on reopening the 1467 kilometer Benguela route from the port of Lobito, Angola, to the Zaire border. [redacted]

[redacted]

Prior to Angolan independence, the Benguela was a primary carrier of mineral exports from Zaire and Zambia and carried 2.5 million tons of total traffic in 1973. As a result of subsequent deterioration, heavy investment would be required to reopen the railroad and upgrade the Lobito port facilities. If the route is reopened, only part of its capacity would be available to Zaire. Nevertheless, Zairian manganese production, which was stopped with closure of the Benguela, could be resumed and Zaire would receive additional benefits from the tariffs earned on Zambian transit traffic. [redacted]

END BOX

US Interests

From a US perspective, failure to maintain and expand the VN to handle a greater percentage of Zaire's mineral exports has potentially significant implications for the political and economic stability of Zaire and, hence, the regional balance of power in southern Africa. Under Mobutu, who generally speaking, has been a good friend to the United States, Zaire's government has remained reasonably stable. Mobutu has been attempting to reform the Zairian economy and has expressed dissatisfaction with US aid levels. In the event of countersanctions by South Africa or, conversely, if neighboring states were to choose to shut off regional trade through South Africa, Zaire's economy would be badly damaged without an expanded Voie Nationale. Even worse, surrounding states--most of which view US interests less favorably--could use access to their transportation systems as a lever to pressure Mobutu to make policy changes that might undermine US influence in the region. Although affairs have yet to reach this state, Mobutu remains extremely anxious over his potential vulnerability and would actively welcome US technical and financial support to expand the route.

